



REPUBLIC OF SLOVENIA
COURT OF AUDIT

SUMMARY REPORT

Outsourcing of support services

Performance audit

Audit period: 1 January to 31 December 2022

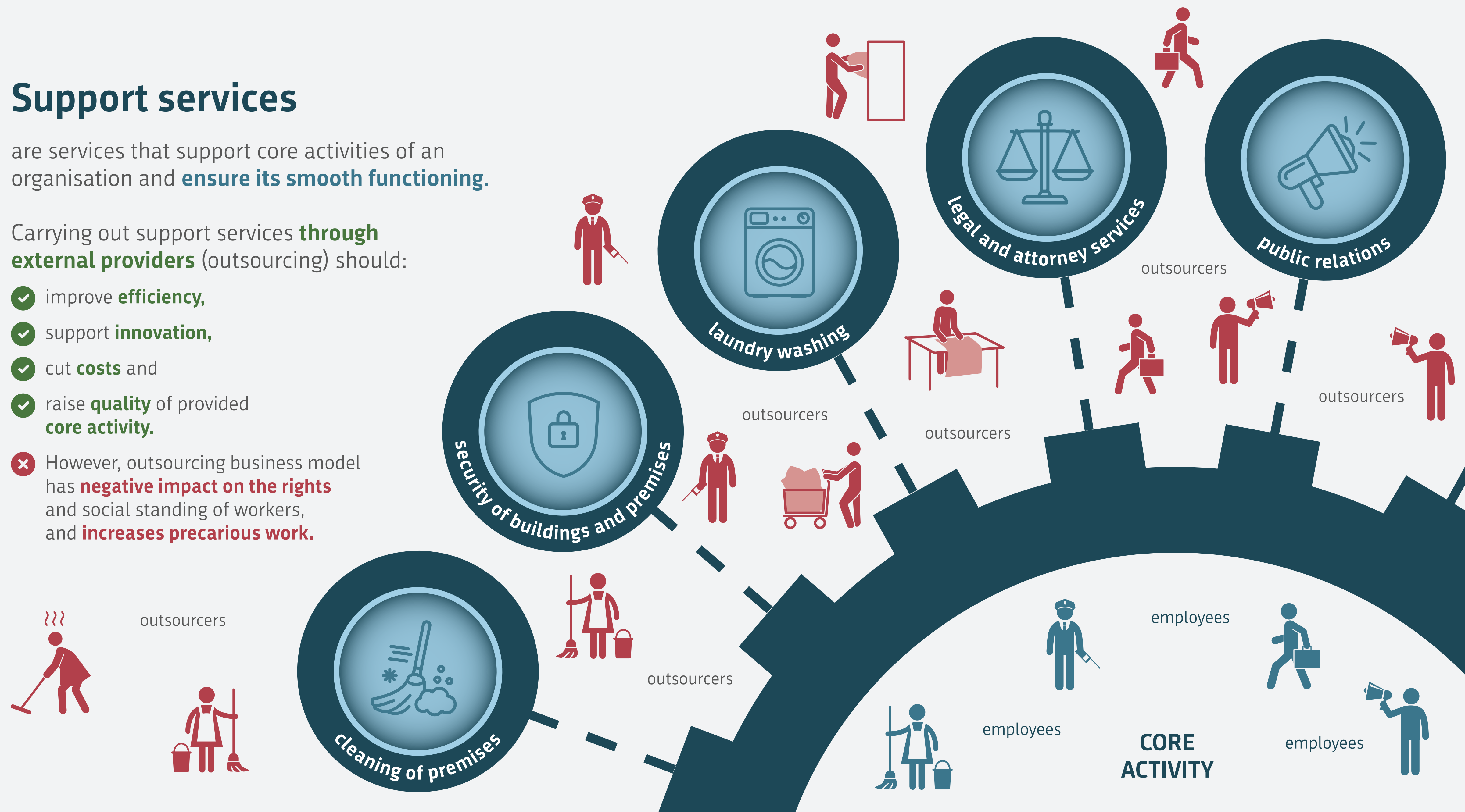


Support services

are services that support core activities of an organisation and **ensure its smooth functioning.**

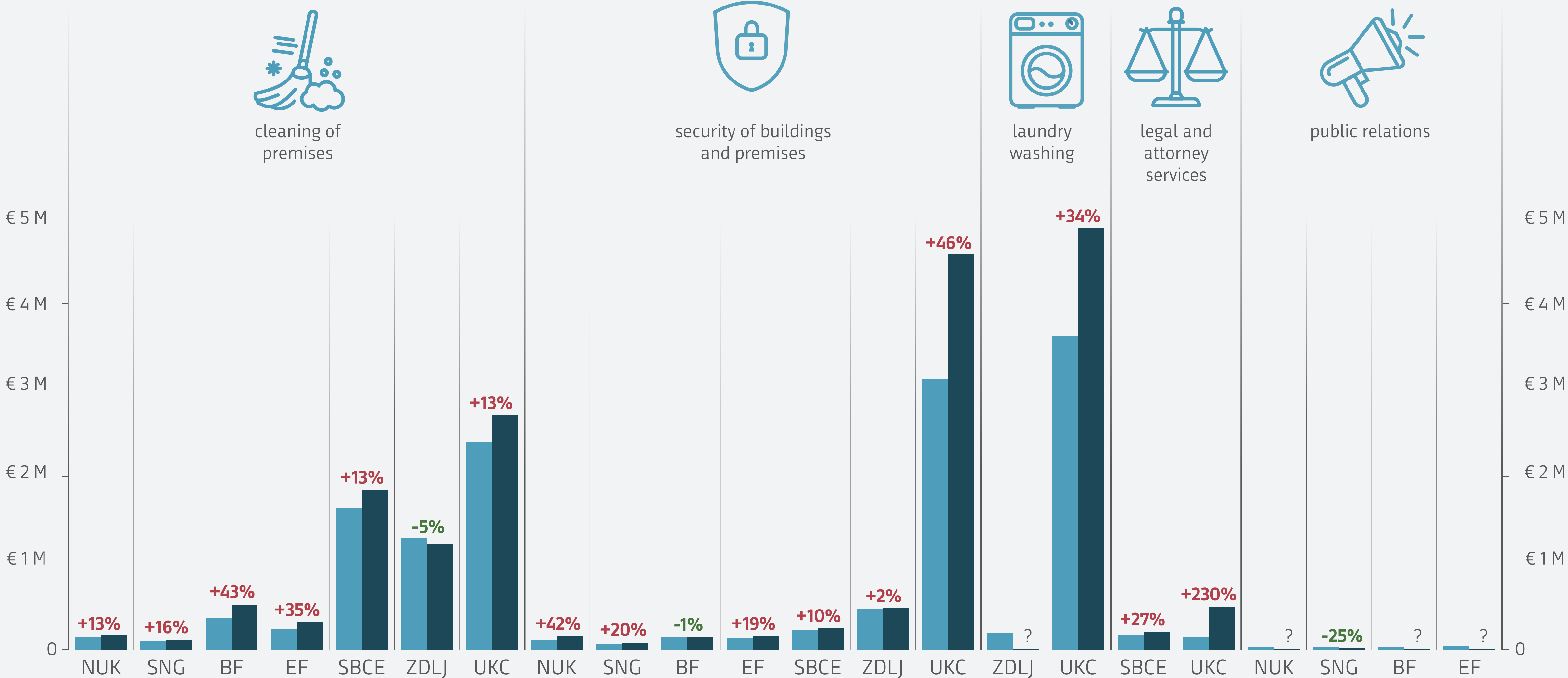
Carrying out support services **through external providers** (outsourcing) should:

- ✓ improve **efficiency,**
 - ✓ support **innovation,**
 - ✓ cut **costs** and
 - ✓ raise **quality** of provided **core activity.**
- ✗ However, outsourcing business model has **negative impact on the rights** and social standing of workers, and **increases precarious work.**



Costs of outsourcing services are increasing over the years

2022 2025



Decision on outsourcing support services was adopted without relevant analyses and on the basis of general reasons

Public institutes must **act with due diligence and as socially responsible employers.**

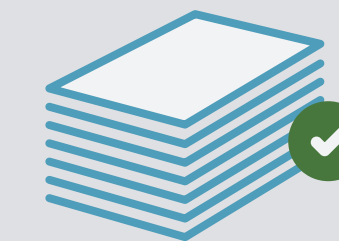
What is the reason for **not recruiting workers** with appropriate skills and experiences in the case of shortage of their internal staff?

What is the reason for choosing outsourcing of support services **despite sufficient internal staff?**

Assessment of the soundness of the most common reasons for outsourcing:



financial **savings**



legal (over)regulation of implementation of certain services



lack of required **competence and knowledge** of internal **staff**



staffing constraints



difficulties with replacement of increased number of retired workers in a short period of time



shortage of qualified staff on the labour market and **unattractive working conditions**



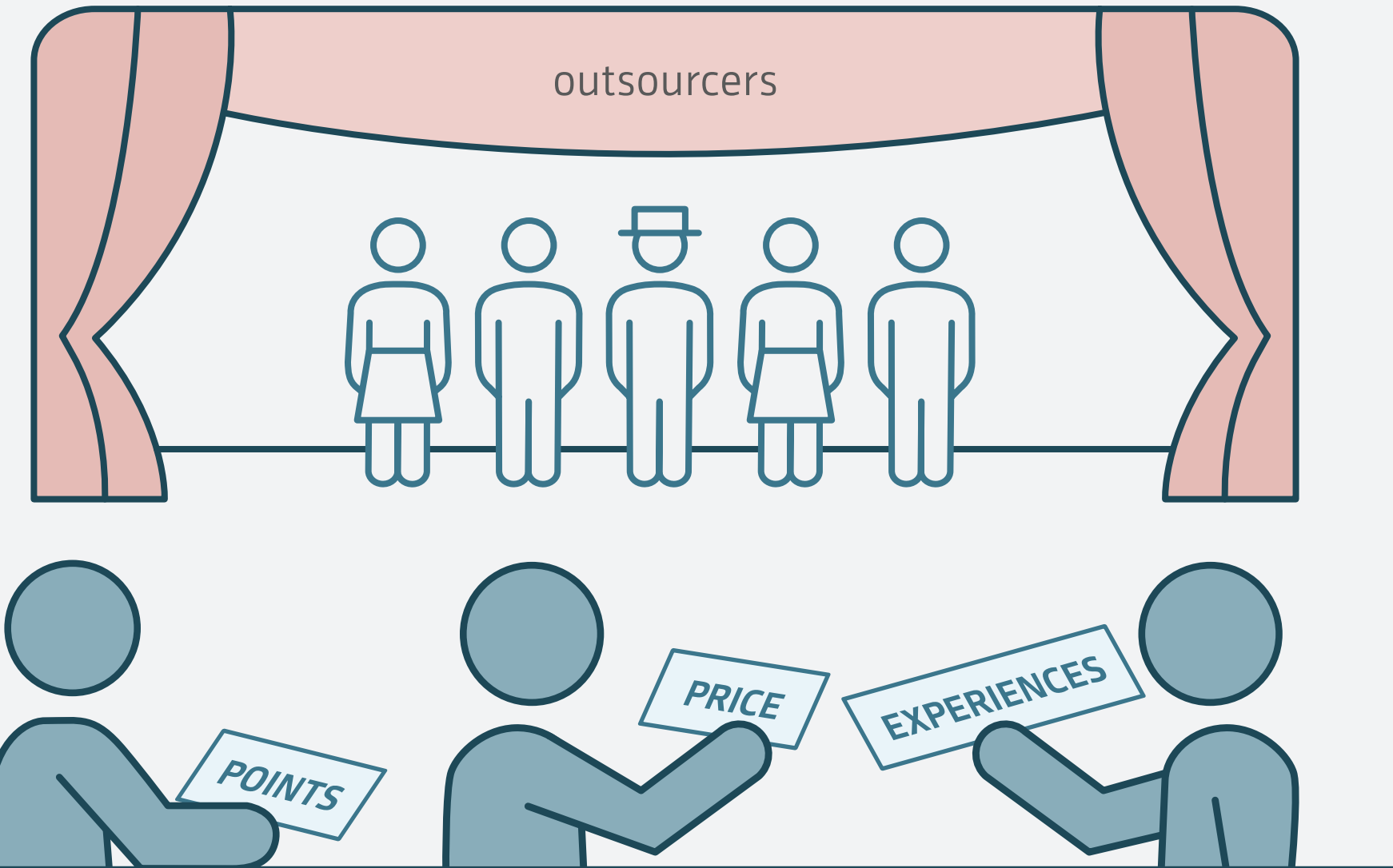
setting up internal laundry facility requires **high investment** in equipment and additional premises

Outsourcing of support services without examining different possibilities of the labour market, own staff resources, internal capacities, knowledge and experiences, and without any reasoning and proper explanation **may lead to inefficient and non-transparent use of public funds.**

Selection of external providers of support services in the audited public institutes

In the selection of service providers, public institutes **must comply with the legislation and all the fundamental principles of public procurement**, thereby ensuring:

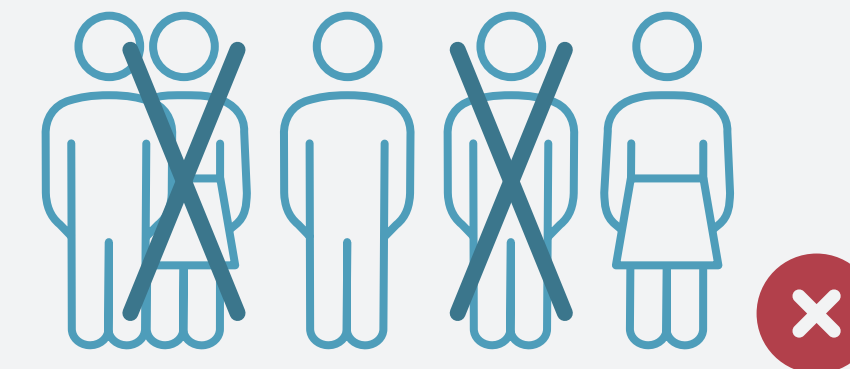
- competition and **equal treatment** of service providers
- **economic, efficient and transparent use** of public funds
- **efficient implementation** of support services



public institute – commission for the selection of outsourcers



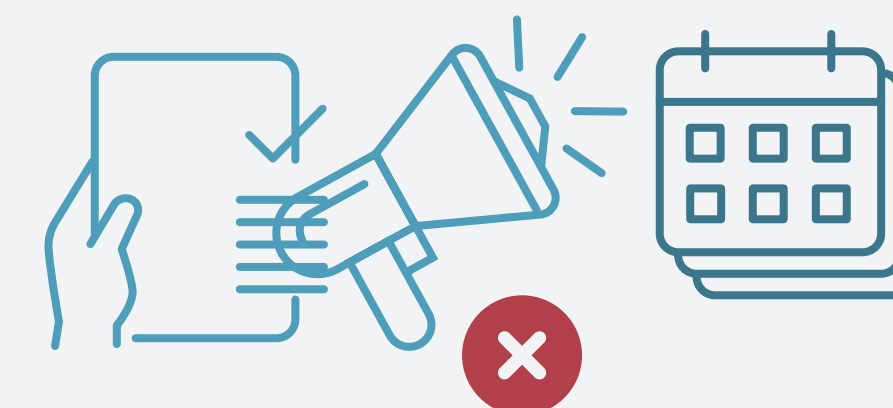
concluded annexes to contracts **on price increase** due to understated value of public procurements



defined conditions which were **disproportionate and not related** to the procurement subject matter, i.e. technical, reference and financial conditions for the qualitative selection of providers, thereby **restricting competition**



inappropriately set estimated value, leading to public procurement selection **contrary to the Public Procurement Act**



carried out selection procedures of public relations providers for shorter periods (every 12 or every 6 months) **despite cooperating with them over extended periods of time**, thus **avoiding legal provisions** on threshold values

Outsourcing not based on clear criteria encourages precarious work and does not guarantee social security of workers

Ministry of Public Administration carried out an analysis and a study of possibilities for eliminating precarious work in the public administration

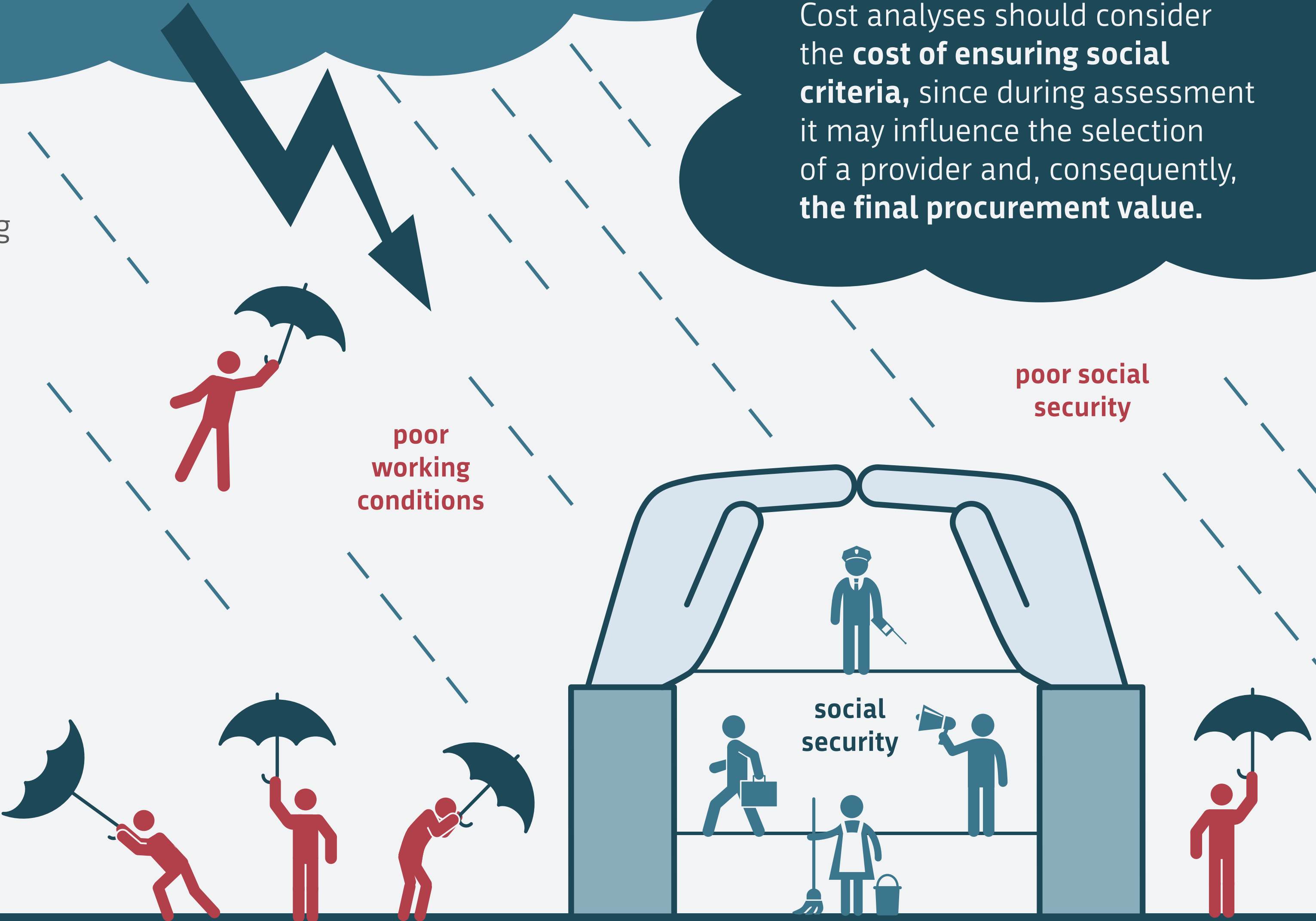
> but it failed to submit them to other users to assist them in decision-making

Ministry of Public Administration decided to outsource cleaning services on the basis of analyses

> ensuring non-precarious work ?

The State should have provided at least general guidelines for drawing up analyses serving as the basis for deciding on socially responsible implementation of support services, and submit them to all budget users.

Cost analyses should consider the **cost of ensuring social criteria**, since during assessment it may influence the selection of a provider and, consequently, the final procurement value.



Public Procurement Act failed to facilitate socially responsible procurement, its requirements solely will thus not eliminate negative effects of outsourcing

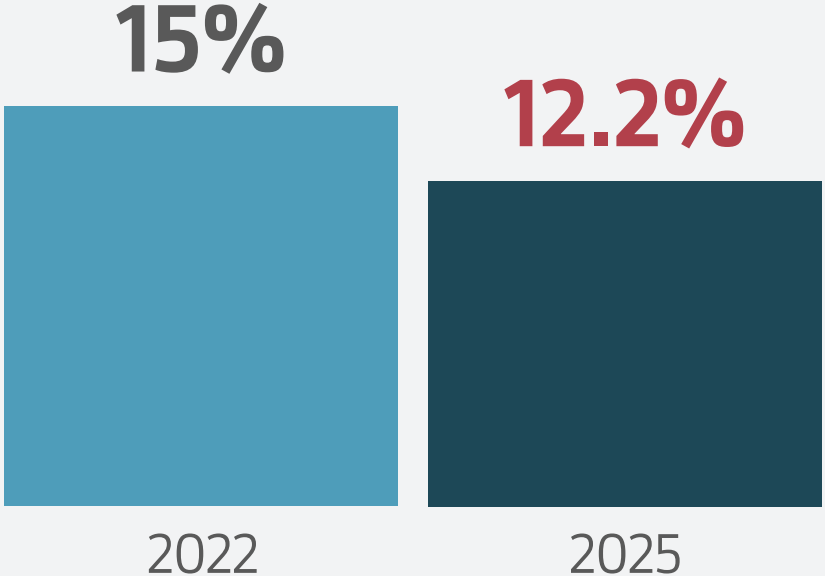
Act Amending the Public Procurement Act (ZJN-3A) **introduced mandatory use of social criteria** for 82 labour-intensive services (including cleaning and security services)

> **however, the weight** of social criteria **is not defined !?**

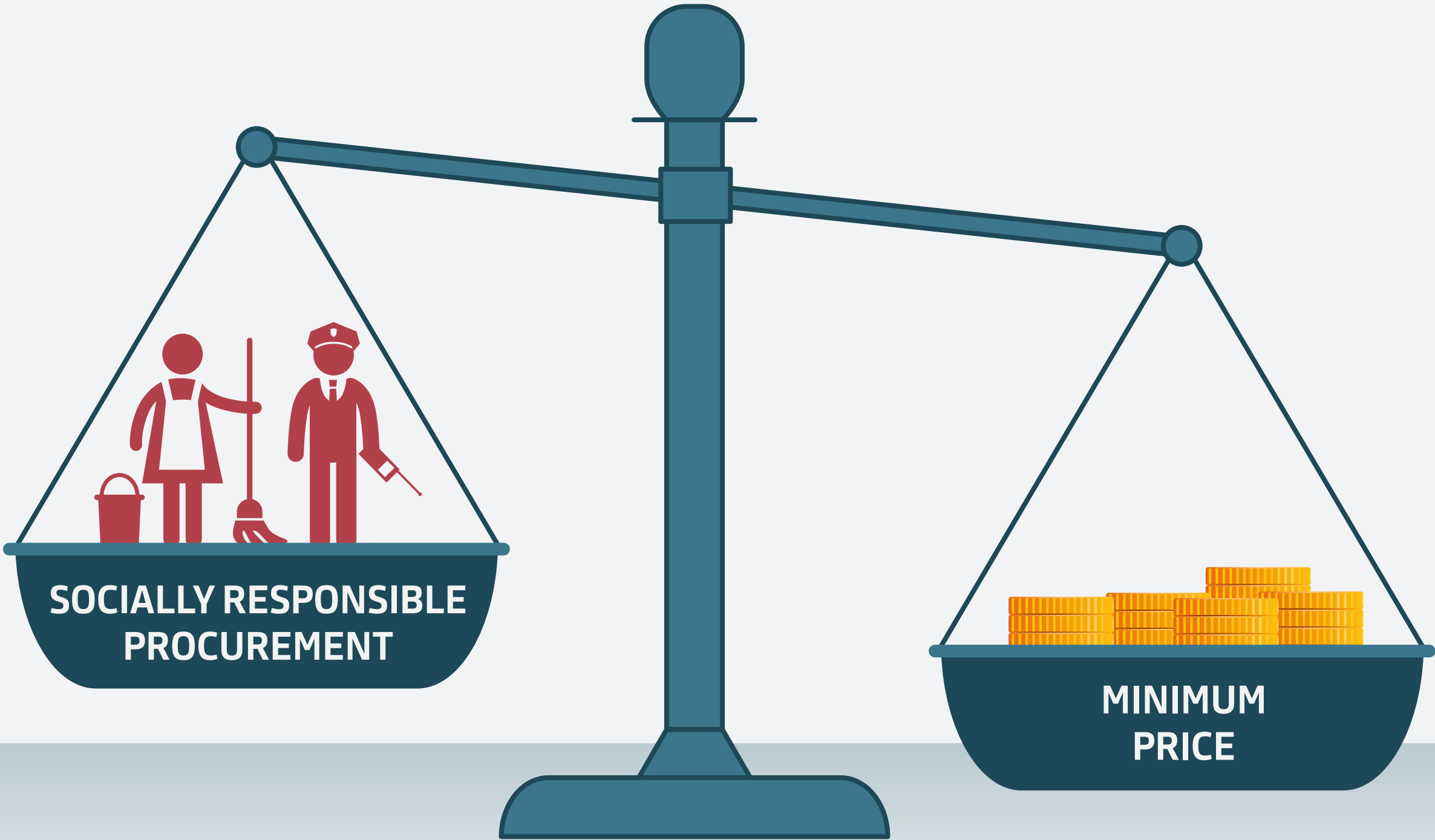
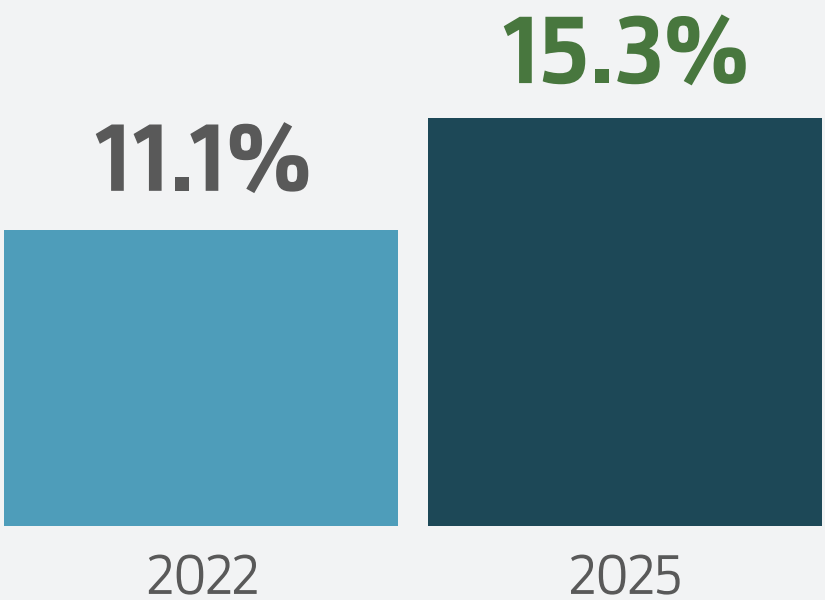
↳ **compliance with the Act is ensured already with the weight of social criteria of only 1%** (thus, having minimal or almost no impact on the selection of providers)

Average share considering all criteria, related to quality and environmental and social aspects, compared to the price of outsourced services

cleaning services



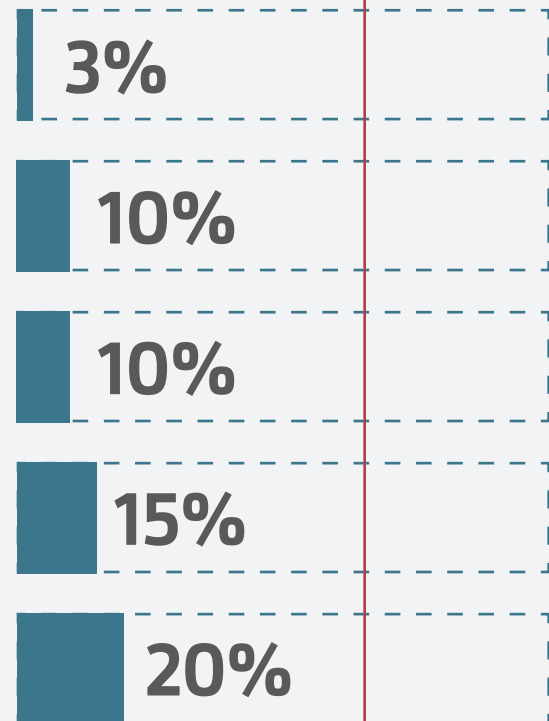
security services



Only 5 out of 7 audited public institutes applied social criteria in the public procurement of cleaning and security services

The set weight of social criteria for the services of audited public institutes

cleaning services



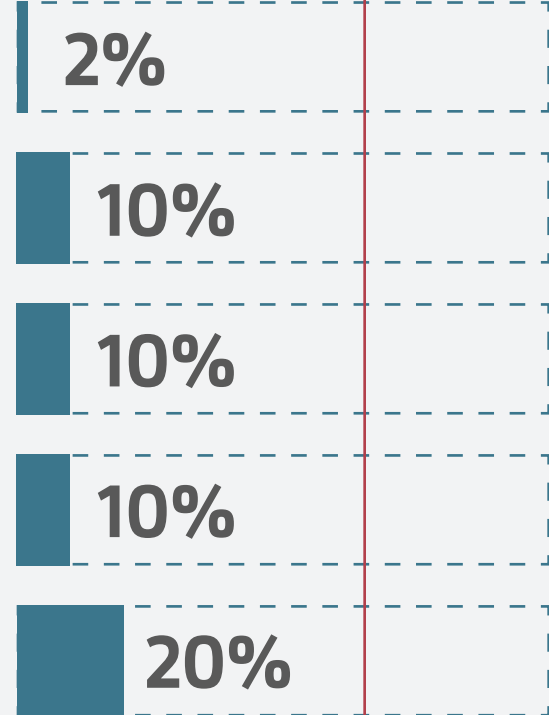
average weight of criteria of the audited public institutes

11.6%

lower than the national average

recommendation of the Ministry: **weight of 60-70%**

security services

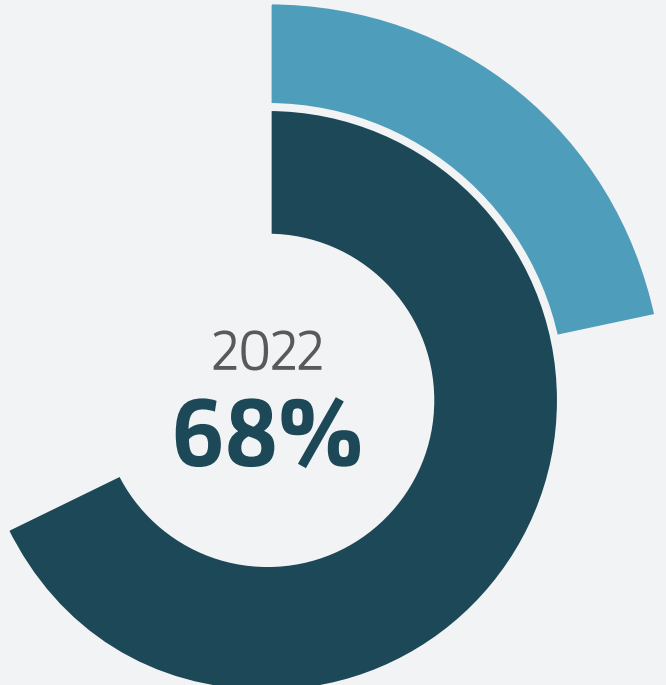


average weight of criteria of the audited public institutes

10.4%

higher than the national average

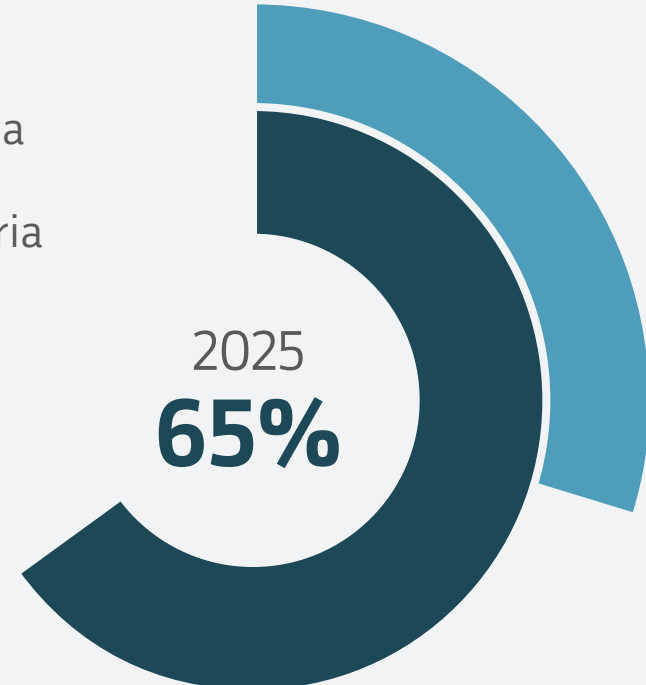
General situation in Slovenia – analysis of data published on the public procurement platform



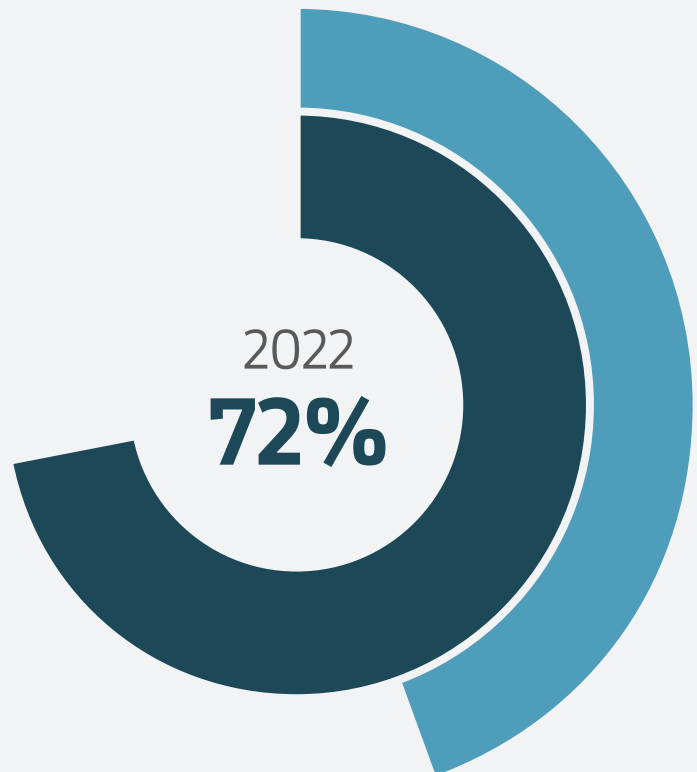
Share of public procurements with included social criteria

Weight of social criteria lower than 10%

12.4%
average weight of criteria



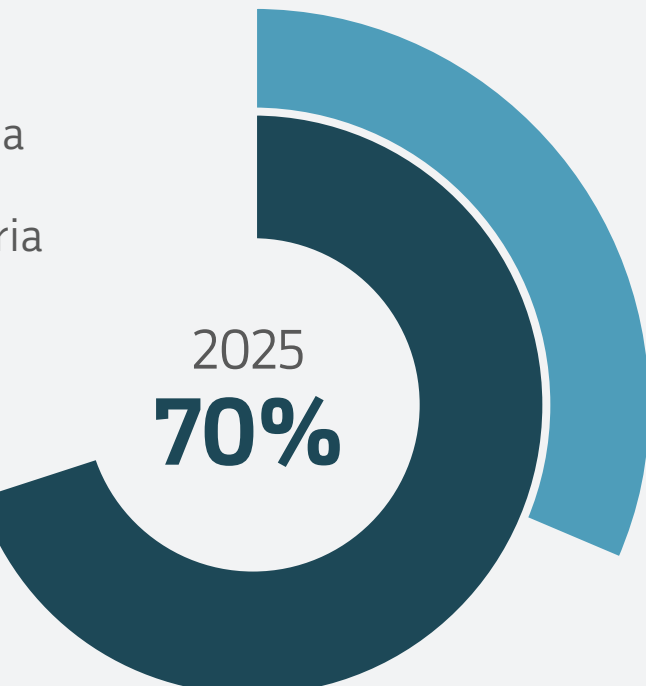
9.6%
average weight of criteria



Share of public procurements with included social criteria

Weight of social criteria lower than 10%

9.7%
average weight of criteria



11.9%
average weight of criteria

OPINION OF THE COURT OF AUDIT

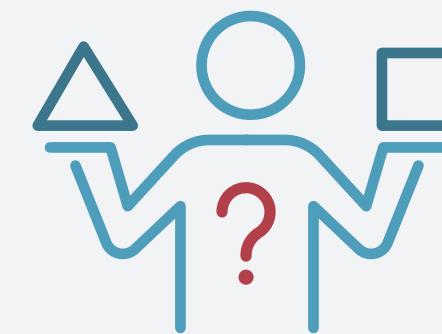
- National and University Library,
- University of Ljubljana, Biotechnical Faculty,
- University of Ljubljana, School of Economics and Business,
- Celje General Hospital,
- University Medical Centre Ljubljana and
- Community Health Centre Ljubljana were **partially efficient** in providing selected support services.

- Slovenian National Theatre Opera and Ballet Ljubljana was **inefficient** in providing selected support services.

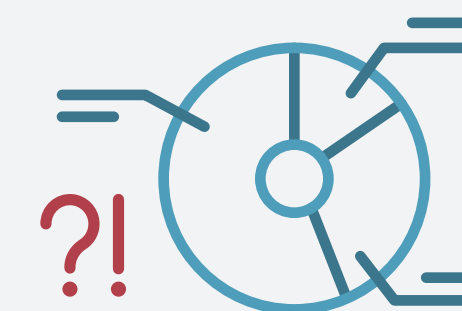
✓ Public institutes **formulated** or **complemented internal rules** or **operational plans** during audit or post-audit procedure.

✓ All public institutes that had outsourced public relations services **terminated contracts with outsources** and now provide these services on their own.

Before deciding to use internal or external staff to carry out services, public institutes must:



thoroughly examine and assess risks, and **perform pros/cons analyses**



after a certain period of time, **check the appropriateness of decisions** against the raising cost of living and the changes in the labour market